



Patrick W. Henning, Director
September 8, 2008
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Arnold Schwarzenegger
Governor

Mr. Couchman, Director
Imperial County Workforce Development Office
770 Main Street, Bldg. D
El Centro, CA 92243

Dear Mr. Couchman:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Imperial County Workforce Development Office's (ICWDO) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. David Hinojosa from March 17, 2008 through March 20, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by ICWDO with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of ICWDO, a review of applicable policies and procedures, and a review of documentation retained by ICWDO for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on August 15, 2008, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed findings 2 and 3 cited in the draft report, no further action is

required at this time. However, these issues will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 80148 and 80149.

BACKGROUND

The ICWDO was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, ICWDO was allocated: \$1,663,220 to serve 165 adult participants; \$1,754,106 to serve 293 youth participants; and \$1,459,979 to serve 62 dislocated worker participants.

For the quarter ending December 31, 2007, ICWDO reported the following expenditures and enrollments for its WIA programs: \$624,467 to serve 70 adult participants; \$57,852 to serve 220 youth participants; and \$64,397 to serve 26 dislocated worker participants.

FISCAL REVIEW RESULTS

While we concluded that, overall, ICWDO is meeting applicable WIA requirements concerning financial management, we noted instances of noncompliance in the following areas: administrative accruals, timesheets, subrecipient audits. The findings that we identified in these areas, our recommendations, and ICWDO's proposed resolution of the findings are specified below.

FINDING 1

Requirement: 20 CFR 667.300(c)(3) states, in part, that reported expenditures must be on the accrual basis of accounting. If a recipient's accounting records are not normally kept on an accrual basis of accounting, the recipient must develop accrual information through an analysis of the documentation on hand.

WIA Directive WIAD05-14 states, in part, that all WIA recipients are required to use an accrual system of accounting and submit a quarterly Summary of WIA Expenditure Report.

Observation: We reviewed ICWDO's Adult, Youth, and Dislocated Worker program expenditure reports for the period ending December 31, 2007, and noted that ICWDO did not report administrative accruals.

Subsequent to the onsite review, on April 24, ICWDO faxed copies of the expenditure reports for the Adult, Youth, and Dislocated Worker programs showing that they had reported the

administrative and program accruals for the quarter ending March 31, 2008. Therefore, we consider this issue resolved.

FINDING 2

Requirement: 29 CFR 97.20(b)(6) states, in part, that accounting records must be supported by such source documentation as payrolls and time and attendance records.

The Office of Management and Budget Circular A-87, Attachment B, (8)(h)(5) states, in part, that personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee, must account for the total activity for which each employee is compensated, and must be signed by the employee.

Observation: We found that timesheets did not total to the amount entered onto the payroll distribution record. After each employee submits a timesheet, a staff summarizes the number of hours charged to different programs and documents the results on the lower right side of the timesheet. The summary is used to facilitate entry onto the payroll distribution record. Another staff initials the summary for accuracy. We identified discrepancies in four timesheets with the number of hours reported on the timesheet not corresponding to the payroll record.

During the review, the employees changed the hours on the timesheets to match the hours on the payroll record. This practice does not provide for an internal control system or a payroll system that ensures accurate timekeeping. At the time the staff summarize the timesheet hours for entry into the payroll distribution records, any discrepancies should be identified and corrected prior to input.

In addition, we found that three timesheets contained changes to hours worked that were not initialed and employees used white-out to correct errors on four timesheets.

Recommendation: We recommended that ICWDO provide a corrective action plan (CAP) to the Compliance Review Division (CRD) that will ensure that the payroll distribution records correctly reflect what is reported on timesheet records. This should include a requirement that timesheets and payroll distribution records are reviewed for accuracy and completeness, that changes to timesheets be initialed and that white-out should not be used on any timesheets.

ICWDO Response: The ICWDO stated that they have set up guidelines to ensure that employees report time in accordance with activities and that payroll clerks review all entries prior to finalizing timesheets. No timesheet is accepted with corrections that are not initialed by the employee in question. Two employees will review the timesheets prior to finalizing and authorizing the hours recorded. This will help insure that accurate timekeeping is met and that activities are reported as they are performed. The ICWDO will implement these changes to ensure compliance and to establish the proper CAP.

State Conclusion: The ICWDO's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, ICWDO's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80148.

FINDING 3

Requirement: 20 CFR 667.200(b)(2)(ii), states, that commercial organizations that expend more than the minimum level specified in OMB Circular A-133 (currently \$500,000) of Federal funds have either an organization-wide audit conducted in accordance with OMB Circular A-133 or a program specific financial and compliance audit.

WIAD05-16 states, in part, that each local workforce investment area will insure that each of its subrecipients expending \$500,000 or more of federal funds in fiscal years ending after December 31, 2003, conducts an audit.

Observation: We found that no audit was conducted of the subrecipient, Imperial County Workforce Investment Board (ICWIB) for the period ending June 30, 2007, even though they expended more than \$500,000 in Federal Funds. The ICWDO stated that since ICWIB ceased operations on June 30, 2007, an audit would not be required. The requirement is that an audit be conducted for all organizations that expend more than \$500,000 of Federal funds in a fiscal year.

Recommendation: We recommended that ICWDO ensure that an audit is conducted for ICWIB and that a copy is submitted as referenced in WIAD05-16 and to CRD as soon as it is received.

ICWDO Response: The ICWDO stated that they have begun the process for procuring and conducting an audit for ICWIB. Since ICWIB ceased operations on June 30, 2007, the audit will be administered by ICWDO. Once the audit is finalized, ICWDO will provide copies to CRD for their review and approval in closing this finding.

State Conclusion: The ICWDO's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, ICWDO's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80149.

PROCUREMENT REVIEW RESULTS.

We concluded that ICWDO is meeting applicable WIA requirements concerning procurement.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is ICWDO's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain ICWDO's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-7005 or Mr. David Hinojosa at (916) 653-4322.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45
Lloyd Saito, MIC 50